

Date: December 2, 2014

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Joel V. Reitzer, Director, General Services Department
Subject: Contract for Property Management Services with GWC Properties, LLC at 616 E. Main Street, 101 S. Elizabeth Street, 113 S. Elizabeth Street, 601 E. Ramseur Street, and 605 E. Ramseur Street

Executive Summary

City Council approved acquisition of property from GWC Properties (GWC) for the future Police Headquarters facility on October 20, 2014. A condition of sale of the property is that GWC will continue to manage the property until December 31, 2015 as this will decrease disruption to existing businesses, ensure continuity and provide an opportunity for tenants to relocate their operations. The property to be acquired from GWC includes thirteen commercial tenants.

This proposed agenda action effects a contract for property management services with GWC. As a fee for management of the property, GWC will receive 50% of the net operating income received from the leases. The City will receive the remaining 50% of net revenue. All tenant leases will expire on or before December 31, 2015.

Recommendation

The General Services Department recommends that City Council authorize the City Manager to execute a contract for property management services with GWC Properties for the property located at 616 E. Main Street, 101 S. Elizabeth Street, 113 S. Elizabeth Street, 601 E. Ramseur Street, and 605 E. Ramseur Street.

Background

The Real Estate staff negotiated an Option to Purchase a total of ±4.439 acres of land and improvements located in the area bordered by East Main Street, Elizabeth Street, Ramseur Street, and Hood Street from GWC Properties (GWC) for \$5,490,000.00. This option has been provided to the City by the property owner, and is attached hereto. The option contains language stating that GWC shall manage the property from the time of closing until December 31, 2015. For that service GWC is to be paid 50% of the net operating income derived from the tenant's leases.

Issues/Analysis

The Real Estate and Project Management Divisions of the General Services Department have worked with the Police Department in reviewing various options for relocation or redevelopment of a Police Headquarters site.

Thirteen businesses currently lease space as tenants of GWC at its East Main Street site. Subsequent to the proposed acquisition, GWC will continue to manage the property until December 31, 2015. This will pose minimal disruption to existing businesses, ensure continuity

and provide an opportunity for tenants to relocate their operations. As a fee for management of the property, GWC will receive 50% of the net operating income received from the leases. The City will receive the remaining 50% of net revenue. All tenant leases will expire on or before December 31, 2015.

Current annual gross rental income at the property is \$297,744.00. Estimated operational expenses of the property are \$65,612.00. It is anticipated that tenants may elect to relocate their operations prior to December 31, 2015 and that gross rental income may decrease each month.

Alternatives

The terms of the City's acquisition of the GWC property includes provision of property management services by GWC until December 31, 2015. City Council may elect to not approve the proposed property management services contract, but that would not be in compliance with the Option to Purchase previously exercised by City Council on October 20, 2014.

Financial Impact

Estimated revenue to the City is \$116,066.00.

SDBD Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Contract for Property Management Services, Option to Purchase, Property Location Map